Public Service Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1988

Alberta
TREASURY

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89-05998/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

June 1989

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Pension Plan Act, being Chapter P-35.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Pension Plan for the fiscal year ended March 31, 1988.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

June 1989

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Public Service Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Public Service Pension Plan for the fiscal year ended March 31, 1988 to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Public Service Pension Plan was established effective April 1, 1947, by the Public Service Pension Act to provide a contributory pension scheme for employees of the Alberta Government, its Agencies, Boards, Commissions, and other public service bodies approved by the Lieutenant-Governor in Council. Members of the Legislative Assembly also participated in the Public Service Pension Plan until the establishment of a separate pension plan for Members of the Legislative Assembly in 1969. Similarly, on the establishment of the Public Service Management Pension Plan in 1972, the Alberta Government employees whose positions were designated as "Management" transferred to the Public Service Management Pension Plan.

The Public Service Pension Act was repealed on November 1, 1985 and replaced by the Public Service Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Public Service Pension Plan is a contributory defined benefit plan. For the calendar year 1987, both employees and employers contributed at a rate of 4.025 per cent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 5.75 per cent on any excess. These rates will be increased by .175 per cent and .25 per cent respectively in each of the calendar years 1988 and 1989. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Pension Plan.

Members may retire at any time after age 55 if five years of pensionable service has been accumulated. Normal pensionable age is 65, but members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 per cent of salary up to the maximum pensionable earnings under the Canada Pension Plan and two per cent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Single members may elect a life pension, choosing a normal pension, or a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Public Service Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review, the Early Retirement Incentive Program, introduced by the Alberta Government for its employees, created considerable extra work for the Pension Administration. Service to retirees was maintained at a satisfactory level, although certain planned improvements in administrative systems had to be postponed. However, an improvement of particular note was the introduction of an automated Notice of Return for employers which contains more meaningful pension information in an improved format.

Annual statements containing information on pensionable service, contributions and prior service purchased were produced and distributed through employers to all active participants in the plan.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Public Service Pension Plan to be $2,248,919,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 13.5 per cent.

Participation

At March 31, 1988, there were a total of 48 employers participating in the Public Service Pension Plan, 46,825 active contributors and 3,617 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A listing of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Public Service Pension Plan	Transfers From Public Service Pension Plan
	$	$
Public Service Management Pension Plan	482,098	4,676,096
Local Authorities Pension Plan	1,042,305	2,261,111
Universities Academic Pension Plan	41,266	636,976
	1,565,669	7,574,183

Reciprocal Agreements

At March 31, 1988, the Public Service Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Management Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Council of Maritime Premiers
- Dalhousie College and University
- Government of British Columbia
- Government of Canada
- Government of Ontario
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- McGill University
- McMaster University
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Ontario Workers' Compensation Board
- Province of New Brunswick
- Province of Prince Edward Island
- Regina Civic Employees' Superannuation and Benefits Plan
- Ryerson Polytechnical Institute
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Public Service Superannuation Commission
- Saskatchewan Research Council
- Saskatchewan Teachers' Superannuation Commission
- University of Guelph
- University of Manitoba
- University of Toronto

The reciprocal agreement with the University of Regina was terminated effective September 3, 1987.

Reciprocal Transfers

During the year ended March 31, 1988, the following number and value of reciprocal transfers were undertaken:

	Transfers To Public Service Pension Plan		Transfers From Public Service Pension Plan	
	Number	Amount	Number	Amount
		$		$
Alberta Government Telephones	3	110,201	8	68,924
Alberta Teachers' Retirement Fund	12	221,167	7	72,820
Government of Canada	27	509,624	26	213,695
Government of Ontario	–	–	3	36,039
Ontario Municipal Employees Retirement Board	–	–	10	170,674
University of Toronto	–	–	3	39,046
Other	5	110,824	8	121,291
	47	951,816	65	722,489

Note: The amounts of reciprocal transfers to the Public Service Pension Plan are included in the section on Contributions.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1988.

	Participants At March 31, 1988	Contributions Received		
		Employee	Employer	Total
		$	$	$
Government of Alberta	27,786	33,833,692	32,266,054	66,099,746
Alberta Cancer Board	714	1,074,195	1,027,456	2,101,651
Alberta Educational Communications Corporation	174	220,907	216,041	436,948
Alberta Hail and Crop Insurance Corporation	103	94,852	92,419	187,271
Alberta Liquor Control Board	1,213	1,353,787	1,302,302	2,656,089
Alberta Mortgage & Housing Corporation	522	612,024	606,590	1,218,614
Alberta Opportunity Company	81	101,136	101,135	202,271
Alberta Racing Commission	14	27,349	23,620	50,969
Energy Resources Conservation Board	772	1,185,556	1,150,927	2,336,483
Petroleum Marketing Commission	90	148,134	146,918	295,052
Special Areas Board	101	114,058	111,085	225,143
Treasury Branches	2,502	2,055,505	2,027,110	4,082,615
Workers' Compensation Board	1,042	1,194,548	1,151,359	2,345,907
University of Alberta	3,632	4,139,064	3,799,239	7,938,303
Athabasca University	134	125,808	125,807	251,615
University of Calgary	1,915	1,739,986	1,684,702	3,424,688
University of Lethbridge	271	237,860	228,860	466,720
Banff Centre for Continuing Education	227	194,424	193,595	388,019
University of Alberta Hospital	4,204	4,798,356	4,705,140	9,503,496
Health Units	1,316	1,531,508	1,454,511	2,986,019
Alberta Union of Provincial Employees	7	8,482	8,483	16,965
Other	5	6,760	6,760	13,520
Accounts Held on Deposit	3,617	66,378	–	66,378
	50,442	54,864,369	52,430,113	107,294,482

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

	Number	Amount
		$
Cash	2,906	7,475,116
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,481	6,728,836
	4,387	14,203,952

In addition, 431 refunds of excess contributions totalling $98,668 were made to members and employers during the year.

Death in Service Benefits

In the current year, 85 members died while in service. Forty-four of the surviving spouses were granted spousal pensions. Lump sums were paid in respect of the other 41 deaths in service to a total of 48 individual beneficiaries.

Information and Counselling Services

Payroll and Pensions presented 15 information seminars and 16 Early Retirement Incentive Program workshops to employees during the year. In addition, 11 workshops were held for employers to assist them in their pension administration responsibilities. The average attendance at each workshop or seminar was 25 individuals.

A regular information bulletin, Pension News, was prepared for employers. The Alberta Retired Public Employees Society was assisted, by Payroll and Pensions, with the publication of their quarterly newspaper, Postscript.

Requests for individual counselling remained high as a result of the Early Retirement Incentive Program of the Government of Alberta as well as similar programs initiated by other employers.

Pension Benefits

During the year ended March 31, 1988, pension benefits paid totalled $75,959,577, an increase of $16,517,558 (27.8 per cent) over the previous year. A total of 1,813 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1988		1987	
Normal Retirement	196		211	
Early Retirement	1,566	(1,127)	294	(213)
Partial or Total Disability	7	(3)	9	(2)
Death-in-Service (Spousal)	44	(26)	41	(19)
	1,813	(1,156)	555	(234)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the aforementioned retirements, 94 were in respect of deferred retirements from previous years (13 normal, 78 early and three disability).

Pension options selected by members are as follows:

Member Pensions	At March 31, 1987	New Retire-ments	Benefi-ciaries	Deaths	End of Guaran-tee Term	At March 31, 1988
Normal (guaranteed 5 years)	1,625	155	1	(43)		1,738
Single Life	1,012	202		(28)		1,186
Guaranteed 10 years	1,847	145	18	(62)	(17)	1,931
Guaranteed 15 years	1,260	103	36	(57)	(21)	1,321
Guaranteed 20 years	943	115	21	(17)	(3)	1,059
Joint Life non-reduced	598	792	12	(16)		1,386
Joint Life Reduced one third	322	243	10	(15)		560
Joint Life Reduced one half	137	14	6	(12)		145
Spousal Pensions						
Single Life	307	11		(9)		309
Guaranteed 5 years	42	1	1	(1)	(1)	42
Guaranteed 10 years	81	2		(1)	(1)	81
Guaranteed 15 years	84	7		(1)		90
Guaranteed 20 years	295	23	2	(6)		314
Total Pensions	8,553	1,813	107	(268)	(43)	10,162
Pensions co-ordinated with CPP and/or OAS	3,430	1,156	39	(97)	(12)	4,516

The schedule below categorizes the pensions in effect at March 31, 1988, by dollar value of monthly pension.

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 1 - 499	4,586	548	5,134
500 - 999	2,768	223	2,991
1,000 - 1,499	1,283	48	1,331
1,500 - 1,999	496	14	510
2,000 and over	193	3	196
	9,326	836	10,162

Effective January 1, 1988, a cost of living adjustment of 2.5 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the year.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
RECEIPTS:		
Employee contributions	54,864,369	52,746,772
Employer contributions	52,430,113	51,602,747
Interest on overdue receivables	2,585	11,860
Total receipts	107,297,067	104,361,379
PAYMENTS:		
BENEFITS		
Pensions to retired members	70,524,980	54,220,052
Pensions to surviving spouses	4,683,955	4,360,368
Lump sums to beneficiaries of deceased pensioners	312,560	434,590
Lump sums to beneficiaries of deceased employees	438,082	427,009
	75,959,577	59,442,019
WITHDRAWALS		
Refunds of contributions and interest to terminated members	14,203,952	12,553,553
Reciprocal agreement transfers	722,489	537,365
Refunds of excess contributions	98,668	140,594
	15,025,109	13,231,512
Total payments	90,984,686	72,673,531
Excess of receipts over payments	16,312,381	31,687,848

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years:

(000's)

	RECEIPTS			PAYMENTS			
Fiscal Year	Employee	Employer	Total	Benefits	With-drawals	Total	Excess of Receipts over Payments
	$	$	$	$	$	$	$
1987/88	54,864	52,433	107,297	75,960	15,025	90,985	16,312
1986/87	52,747	51,614	104,361	59,442	13,231	72,673	31,688
1985/86	48,427	47,720	96,147	54,242	12,887	67,129	29,018
1984/85	45,229	44,751	89,980	48,991	10,074	59,065	30,915
1983/84	45,808	45,059	90,867	44,741	7,314	52,055	38,812